

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 CIAE-00 COME-00 DODE-00 FMC-04

INR-10 NSAE-00 RSC-01 CG-00 COA-02 DLOS-06 DOTE-00

L-03 AID-20 DRC-01 TRSE-00 OMB-01 PA-03 PRS-01 USIA-15

ST-01 H-03 AGR-20 /113 W

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 48

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E.O. 11652: N/A

TAGS: ETRN, CE

SUBJ: US/SRI LANKA OCEAN SHIPPING: CONFERENCE RATE RISE MAY
CAUSE SERIOUS PROBLEM

REF COLOMBO 2230

1. SUMMARY AND COMMENT: SUBSTANTIAL FREIGHT RATE RISE ANNOUNCED
SEPT 20 BY CEYLON-US CONFERENCE (C/USAC) COMPLETE SURPRISE
HERE, ACCORDING TO BOTH GSL CENTRAL FREIGHT BUREAU (CFB)
AND CONFERENCE SECRETARY. CFB HAS PROMPTLY ANNOUNCED CEYLON
SE SHIPPERS WILL IGNORE RATE RISE. ALTHOUGH SOME DAMAGE ALREADY
PROBABLY UNAVOIDABLE TO FUTURE CONFERENCE NEGOTIATIONS WITH
CFB (SEE REFTTEL), WE RECOMMEND CONFERENCE LINE OWNERS CONSULT
SOONEST DIRECTLY WITH CFB ON WHAT APPEARS TO HAVE BEEN UNIL-
ATERAL RATE INCREASE DECISION WITHOUT PRIOR CONSULTATIONS,
WHICH CEYLON SE SEE AS VIOLATION OF THEIR LAW ON CFB AND
HARMFUL TO CEYLON SE TRADE. END SUMMARY.

2. ON SEPT 20 LOCAL SECRETARY OF C/USAC (MACKINNON, MACKENZIE
AND CO., LTD., MAJOR COLOMBO SHIPPING AGENTS) CIRC-
ULATED CEYLON SE SHIPPERS ANNOUNCING "GENERAL RATE INCREASE
OF TEN PERCENT PLUS INCREASE IN BUNKER FUEL SURCHARGE FROM
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US \$1.50 TO US \$2.50 PER REVENUE TON, EFFECTIVE 15 DEC

1973. RISE WAS FRONT-PAGED IN PRESS.

3. EMBASSY HAS CHECKED WITH BOTH CONFERENCE SECRETARY AND GENERAL MANAGER FREIGHT BUREAU. THEIR STORIES IN SUMMARY AS FOLLOWS:

A. CFB: GENERAL MANAGER RECONFIRMED THAT PRIOR RATE INCREASE ANNOUNCEMENT, CFB POLICY WAS THAT ANY CEYLONSE SHIPPER COULD USE ANY C/USAC SHIP. IN ORDER TO INCREASE TONNAGES LIFTED PER SHIP, CFB DID INTEND TO DISCUSS WITH CONFERENCE RATIONALIZATION OF TRAFFIC BUT NOT IN NEAR FUTURE AND ONLY AS PART OF DETAILED NEGOTIATIONS. GENERAL MANAGER STATED THAT RATE INCREASE WAS TOTAL SURPRISE AND CONSTITUTED UNILATERAL DECISION BY CONFERENCE WITHOUT PRIOR CONSULTATION WITH CFB WHICH NOW, BY LAW, REPRESENTS CEYLONSE SHIPPERS. GENERAL MANAGER STATED THAT THIS DECISION NOT ONLY IN CONFLICT TIME-HONORED AND WORLDWIDE PRACTICE FOR PRIOR CONSULTATION ON RATE INCREASES, BUT ALSO NOW AGAINST CEYLONSE LAW ESTABLISHING CFB. THEREFORE, CFB HAD NO ALTERNATIVE BUT TO IMMEDIATELY CIRCULARIZE SHIPPERS THAT RATE INCREASE IS TO BE IGNORED, I.E., IF ISSUE NOT RESOLVED BY DEC 15, 1973 SHIPPERS WILL SIMPLY CONTINUE TO PAY CURRENT RATES EVEN THOUGH LINES CHARGE TEN PERCENT MORE. CFB CONCERNED THAT DISRUPTION MAY RESULT FROM IMPASSE BUT BELIEVES C/USAC MUST MAKE NEXT MOVE.

B. C/USAC CONFERENCE: ACCORDING SENIOR MACKINNON, MACKENZIE EXECUTIVES, CONFERENCE LINE OWNERS REQUESTED PERMISSION FOR 14 SEPT MEETING IN NEW YORK (THIS REQUIRED SINCE CONFERENCE AGREEMENT DESIGNATES COLOMBO AS NORMAL CONFERENCE HEADQUARTERS FOR SECRETARY AND MEETINGS). LINE OWNERS DID NOT INDICATE PRECISE SUBJECT MATTER. FOLLOWING MEETING, MACKINNON, MACKENZIE RECEIVED TELEX STATING THAT CONFERENCE HAD FILED RATE INCREASE WITH US MARITIME COMMISSION AND INSTRUCTING SECRETARY TO CIRCULARIZE SHIPPERS. ALTHOUGH DECISION COMPLETE SURPRISE TO CONFERENCE SECRETARY, HE SAW NO CHOICE BUT TO FOLLOW THROUGH WITHOUT PROTEST. MACKINNON, MACKENZIE CONFIRMED THAT ANNOUNCEMENT UNILATERAL WITHOUT PRIOR CONSULTATION AND CLEARLY MOST ANNOYED BY EXTREMELY DIFFICULT POSITION THEY NOW IN VIS-A-VIS BOTH LINE OWNERS AND CFB. FOLLOWING CFB'S STRONG PROTEST AND REJECTION OF RATE RISE, LIMITED OFFICIAL USE

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MACKINNON, MACKENZIE HAS TELEXED LINE OWNERS WITH FULL TEXT LETTER EXCHANGES BETWEEN THEM AND CFB, STRONGLY URGING CONFERENCE TO IMMEDIATELY CONSULT DIRECTLY WITH CFB. MACKINNON, MACKENZIE NOT ONLY SEE ANNOUNCEMENT AS MOST UNFORTUNATE IN CONTEXT CURRENT DELICATE STATE OF RELATIONS; FOLLOWING CFB LEGAL ESTABLISHMENT, BUT STATE THEY KNOW SIMILAR RATE INCREASE NOT DETERMINED FOR CALCUTTA, WHICH IS CRITICAL COST ELEMENT IN COMPETITION WITH INDIAN TEA.

4. COMMENT: EMBOFFS HAVE MADE CLEAR TO BOTH CFB AND C/USAC
THAT OUR INQUIRY COMPLETELY IMPARTIAL, THAT WE CARRY NO
BRIEF FOR EITHER SIDE, AND THAT DIFFERENCES MUST BE
WORKED OUT DIRECTLY BETWEEN PRINCIPALS.
VAN HOLLEN

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